Prompt Engineering

for Chartered Accountants

Harnessing AI to Transform Your Professional Practice

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Session Agenda

- **01 Introduction:** Why Prompt Engineering matters for CAs today
- **02 Fundamentals:** What makes a good prompt? Core components explained
- **03 Types of Prompts:** Informational, instructional, role-based, analytical & iterative
- **04 CA Use Cases:** Taxation, Audit, GST, Litigation & Client Communication
- **05 Advanced Techniques:** Prompt chaining, templates and reusable libraries
- **06 Ethics & Professionalism:** Confidentiality, verification & ICAI perspective
- **07 Conclusion:** Key takeaways and your action plan

01

Introduction to Prompt Engineering

Why every CA must understand this skill now

The AI Revolution in Professional Practice

What is AI?

Large Language Models like ChatGPT can read, analyse and generate professional-grade text with human-level fluency.

AI in Numbers

Over 100 million professionals worldwide use AI tools. India's CA workforce stands at ~4 lakh — early adopters gain a decisive edge.

Why CAs?

Tax laws, GST, audit docs, client letters — all are text-heavy tasks perfectly suited for AI augmentation.

Why Prompt Engineering? — The CA Advantage

- **Efficiency:** Draft a GST notice reply in minutes, not hours. Free capacity for high-value advisory.
- **Consistency:** Standardised, high-quality output across your team and firm — every time.
- **Competitive edge:** CAs who use AI effectively will outpace peers who don't in speed, quality and client service.
- **Cost optimisation:** Reduce time on repetitive tasks — documentation, checklists, routine compliance drafts.
- **Research leverage:** Quickly synthesise judgments, circulars, and notifications from CBDT, CBIC and ICAI.
- **The key insight:** AI quality = prompt quality. The professional who writes better prompts gets better results.

02

Fundamentals of Prompt Engineering

What separates a mediocre prompt from an expert one

Anatomy of a High-Quality Prompt

1. ROLE	*"Act as a Senior CA with expertise in GST litigation..."*
2. CONTEXT	*"My client received a GST notice u/s 74 for FY 2021-22 with disputed credit of ₹18 lakhs..."*
3. TASK	*"Draft a detailed reply to the notice with relevant case laws and circular references."*
4. CONSTRAINTS	*"Use CGST Act provisions. Keep language formal. Limit to 500 words."*
5. OUTPUT FORMAT	*"Format as a formal legal reply with proper salutation, subject, body paragraphs, and closing."*

The 5 Pillars of a Great Prompt

- **CLARITY:** State exactly what you want. Avoid vague language. "Help me with GST" → weak. "Draft reply to SCN under Section 74" → strong.
- **CONTEXT:** Provide background: client type, financial year, jurisdiction, amounts involved, prior correspondence.
- **SPECIFICITY:** Narrow down: which provision? which form? which assessment year? The more specific, the more precise the output.
- **CONSTRAINTS:** Set limits: word count, tone (formal/advisory), format (letter/checklist/table), applicable law only.
- **EXPECTED OUTPUT:** Describe the desired deliverable explicitly — e.g., "Format as a formal reply on letter head with reference number placeholder."

03

Types of Prompts

A taxonomy every CA practitioner should master

5 Types of Prompts — With CA Examples

Informational

"What are the conditions for claiming ITC under Section 16 of CGST Act? Summarise in bullet points."

Instructional

"Create a statutory audit checklist for a listed company under Companies Act 2013 and SA-700."

Role-Based

"Act as a senior CA appearing before ITAT. Draft arguments for disallowance of ₹12 lakh u/s 14A."

Analytical / Reasoning

"Compare the tax implications of an LLP vs Pvt Ltd for a startup with projected revenue of ₹2 crore in Year 1."

Iterative / Refinement

"The tone is too informal. Make it more professional and add references to ICAI guidance note on auditing."

Common Prompt Mistakes — And How to Avoid Them

❌ Common Mistakes

- Too vague: "Help me with tax"
- No context: "Write a reply to notice"
- No constraints: AI writes 2000 words
- No role specified: Generic, not expert output
- No format instruction: Unstructured output
- Accepting first output blindly
- Sharing real client PAN/Aadhaar in prompt

✓ Best Practices

- Be specific: "Help with Section 271(1)(c) penalty reply"
- Set context: party name, AY, demand amount, officer
- Add constraints: "300 words max, bullet points"
- Assign role: "Act as a senior tax advocate"
- Specify format: "Letter format with subject line"
- Iterate and refine — treat it as a conversation
- Anonymise: Use [Client], [Amount], [Date] placeholders

Prompt Transformation — Before vs. After

✗ WEAK PROMPT

Write something about GST ITC.

→

✓ EXPERT PROMPT

Act as a senior GST consultant with expertise in manufacturing sector disputes.

Context: My client, a mid-size auto component manufacturer, received a DRC-01C notice from the GST officer for reversal of ITC amounting to ₹28 lakhs for FY 2022-23. The officer alleges mismatch between GSTR-2A and GSTR-3B.

Task: Draft a detailed, point-wise reply addressing: (a) legal provisions under CGST Act Sec 16(2), (b) cite CBIC Circular No. 183/15/2022, and (c) attach a reconciliation statement format.

Format: Formal reply letter (under 700 words) with subject, reference, grounds of reply, and prayer. Use professional, non-confrontational tone.

04

Practical Use Cases for CAs

Real-world applications across your practice areas

CA Practice Areas — AI Can Help Here

Taxation

Draft replies to IT notices, penalty orders u/s 270A, CIT(A) grounds of appeal, Section 148A responses.

Audit

Generate SA-based audit checklists, management representation letters, internal audit reports and CARO observations.

GST & Compliance

Reply to SCNs, draft letters for refund claims u/s 54, prepare reconciliation notes for GSTR-2A vs 3B mismatches.

Litigation

Draft grounds for ITAT/CIT(A)/High Court, summarise judgments, prepare arguments for oral hearings.

Client Communication

Advisory notes, engagement letters, budget impact summaries, plain-language explanations of complex tax provisions.

Firm Operations

Drafting SOPs, HR policies, training content, newsletters, and reusable document templates for the firm.

Live Example — Taxation: Section 148A Reply

Income Tax — Notice Reply

PROMPT

Act as a Senior Advocate specialising in Income Tax. My client (salaried individual, AY 2021-22) received a notice u/s 148A(b) alleging unexplained cash deposits of ₹4.2 lakh during demonetisation period. Deposits were from savings and sale of agricultural produce. Draft a detailed reply referencing: (a) Rule 114E threshold, (b) Explanation 5A to Section 271(1)(c), and (c) CBDT Circular 3/2017 on demonetisation deposits. Formal letter format, 500 words.

AI OUTPUT

Live Example — GST: ITC Reversal Reply

GST — DRC-01C Reply

PROMPT

Act as a GST litigation expert. Client is a manufacturer of industrial pumps registered in Maharashtra. GST officer issued DRC-01C demanding reversal of ₹18.6 lakh ITC citing GSTR-2A vs GSTR-3B mismatch for Q3 FY 2022-23. Draft a reply citing: (1) Sec 16(2)(c) CGST Act, (2) Delhi HC ruling in Bharti Airtel case, (3) CBIC Circular 183/15/2022. Include reconciliation statement reference. Formal reply, max 600 words.

AI OUTPUT

Live Example — Audit: Engagement Letter

Audit — Engagement Communication

PROMPT

Act as a senior CA in public practice. Draft a professional audit engagement letter for a new statutory audit client — a mid-size private limited company (turnover ₹45 crore, manufacturing sector). Cover: scope of audit under Companies Act 2013, SA-200 responsibilities, management responsibilities, our independence declaration, fees structure mention (₹3.5 lakh), and timing (commencement April 15). ICAI format, formal tone, under 600 words.

AI OUTPUT

05

Advanced Techniques

Prompt chaining, templates and reusable prompt libraries

Prompt Chaining — Multi-Step Workflows

- **What is chaining?** Using output of one prompt as input for the next — building complex deliverables step by step.
- **Example Chain — Tax Planning Report:** Step 1: Extract key facts from client's ITR → Step 2: Identify savings opportunities → Step 3: Draft advisory note
- **Step 1 prompt:** "Summarise the following ITR data in structured format: [paste ITR data]. Extract: income heads, deductions claimed, effective tax rate."
- **Step 2 prompt:** "Based on the summary above, identify 5 tax-saving opportunities under Chapter VI-A and Section 115BAC available for AY 2025-26."
- **Step 3 prompt:** "Using the opportunities identified, draft a 2-page tax planning advisory note for a salaried client in the 30% bracket. Formal tone."
- **Why it works:** Each step focuses the AI on a narrow task — quality accumulates. Works for audit reports, due diligence, valuation memos.

Building a CA Firm Prompt Library

- **Category: Taxation:** Templates for 148A replies, 271(1)(c) responses, CIT(A) grounds, Form 3CD observations, TDS mismatch letters
- **Category: GST:** DRC-01 replies, refund claim letters, GSTR reconciliation notes, annual return review summaries
- **Category: Audit:** Engagement letters, management representation letters, audit checklists (SA-wise), CARO 2020 observations
- **Category: Advisory:** Budget impact notes, restructuring memos, startup entity comparison, NRI taxation advisory templates
- **Implementation tip:** Create a shared Google Doc / Notion page titled "Firm Prompt Library" — staff can reuse and refine prompts.
- **Prompt versioning:** Track which prompt produced the best output. Improve iteratively — treat prompts as intellectual capital of your firm.

06

Ethical & Professional Considerations

Safeguarding trust, integrity and compliance

Ethical Guardrails for CAs Using AI

⚠️ Risks & Concerns

- Client PAN, Aadhaar, financials sent to external AI servers
- AI "hallucinations" — fabricated case laws, wrong provisions
- Over-reliance without professional verification
- Breach of ICAI confidentiality obligations (Clause 1, Part II, Schedule I)
- Signing AI-generated opinions without review
- Risk of inadvertently breaching DPDP Act 2023

✓ Best Practices

- Always anonymise: Replace names with [Client], [PAN], [Amount]
- Verify all legal citations against Taxmann/SCC Online/ICAI database
- AI output = first draft only. Professional judgment is mandatory
- Use enterprise AI tools with data privacy commitments where available
- Document your review of AI-generated content in work papers
- Stay updated on ICAI's evolving guidelines on AI use in practice

ICAI Perspective & Professional Obligations

- **ICAI's stance:** ICAI recognises AI as an enabler but emphasises professional scepticism, independent judgment and ethical responsibility remain with the CA.
- **Code of Ethics — Confidentiality:** ICAI requires CAs to protect confidential client information. AI tools must not compromise this obligation.
- **Independence in Audit:** AI-generated audit opinions must be critically reviewed. Signing without review may constitute professional negligence.
- **Due diligence on tools:** Understand the data processing policy of any AI tool you use — especially for cloud-based tools processing Indian financial data.
- **DPDP Act 2023:** India's Digital Personal Data Protection Act imposes obligations on how personal data is processed — relevant when client data is involved.
- **Golden rule:** "AI can draft, but only YOU can certify." The professional seal carries your name — and your responsibility.

07

Conclusion & Action Plan

Integrating prompt engineering into your daily CA practice

Key Takeaways

What Every CA Should Remember

01 AI is a tool, not a replacement — Your judgment and expertise remain indispensable

02 Better prompts = better output — Clarity, context, and constraints unlock AI's real power

03 Always verify — AI-generated content must be reviewed against law, circulars & case law

04 Client confidentiality is non-negotiable — Anonymise all sensitive data before using AI

05 Build reusable templates — Create a prompt library for your firm's recurring tasks

06 Start small, scale fast — Begin with one workflow (e.g., GST notices) and expand

Your 30-Day AI Integration Roadmap

- **Week 1 — Learn:** Try ChatGPT / Claude / Gemini. Use informational prompts on one GST or IT topic you handle regularly.
- **Week 2 — Apply:** Draft one real work document (checklist, notice reply, advisory note) using the RCTCO framework. Compare with your usual output.
- **Week 3 — Systematise:** Create your first 5-entry Prompt Library. Share with one colleague. Refine based on feedback.
- **Week 4 — Scale:** Identify 3 recurring tasks in your firm that AI can help with. Build templated prompts. Establish a review protocol.
- **Ongoing:** Follow ICAI AI Working Group updates. Attend CPE sessions on AI. Contribute to your branch's knowledge-sharing on AI tools.
- **Future outlook:** AI will not replace CAs — but CAs who use AI will replace those who don't. The profession rewards those who adapt.

The future belongs to

professionals who adapt.

Thank You!

Questions & Answers

Remember: Start with ONE prompt improvement this week — then build from there.